

ANNUAL REPORT

FOR



EVALUATION STUDIES

July 1, 2009 – June 30, 2010

Issued July 2011

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Annual Report
For
The Connecticut Partnership for Long-Term Care
Evaluation Studies

July 1, 2009 – June 30, 2010

I. EXECUTIVE SUMMARY

The Connecticut Partnership for Long-Term Care is a unique alliance between State government and the private insurance industry developed to: 1) provide individuals with a way to plan for their long-term care needs without the risk of impoverishment; 2) enhance the standards of private long-term care insurance; 3) provide public education about long-term care; and 4) conserve State Medicaid funds. Connecticut was the first state in the country to implement a Partnership program.

This executive summary provides an overview of each of the evaluation studies included in this report. These ongoing research studies were developed in order to describe, measure and evaluate this innovative program. The Partnership has been operational and gathering data since April, 1992. Originally, the Partnership contracted with an outside consultant who was responsible for administering the various surveys used in conjunction with the evaluation, as well as providing the Partnership with quarterly and annual reports. These research studies were funded through a grant from the Robert Wood Johnson Foundation. When grant funds were exhausted for the studies, the Office of Policy and Management assumed responsibility for administering the surveys as of July 1, 1996. With the goal of reducing costs and increasing efficiency, one study was converted from a telephone to a mail survey and two surveys were discontinued. Any changes are noted in each of the specific studies included in this report. Missing data are always excluded, unless otherwise noted.

This report examines survey responses from people who purchased, dropped or were denied a Connecticut Partnership policy during the time period from July 1, 2009 to June 30, 2010 (referred to as the current data or 2009/2010 data). The report highlights significant differences between data collected during this time frame and data collected in previous years. The following three studies are included as part of this report: Survey of Persons Purchasing Insurance; Survey of Persons Denied Insurance; and Survey of Persons Dropping Insurance.

A. Survey of Persons Purchasing Insurance

This study provides a descriptive profile of individuals who purchased a Connecticut Partnership for Long-Term Care approved insurance policy and completed the survey. Policies are purchased from private insurance companies that market Partnership-approved long-term care insurance policies. Information collected includes: demographic characteristics, income and asset information, health and functional status, reasons for purchasing and how purchasers heard about the Partnership. The survey instrument, called the “Baseline Survey,” was mailed to a 50% sample of 2nd and 4th quarter purchasers of Partnership policies during the period from July 1, 2009 through June 30, 2010. Beginning in 2001, the Baseline survey process was reduced to alternating quarters with Baseline surveys being mailed to a random sample of 2nd and 4th quarter purchasers only. Prior to 2001, the Baseline Survey was mailed to all purchasers each quarter. A total of 201 completed surveys were returned for this period (7/1/09 – 6/30/10), representing an overall response rate of 46%.

Looking at the current report year, respondents ranged in age from 41 to 73 with an average age of 60. Seventy-six percent were under the age of 65. The majority of respondents (55%) were female. Seventy-nine percent were married and 79% lived with their spouse.

Seven percent had a monthly income of less than \$2,500, while 67% reported their household monthly income as being over \$5,000. The remaining 26% indicated their monthly income was in the middle range of \$2,500 - \$4,999.

Sixty-seven percent of respondents reported assets over \$350,000, while 9% indicated their assets were less than \$100,000. Twenty-three percent fell into the \$100,000- \$349,999 range.

Survey data were linked with policy specific data reported quarterly by the participating insurance companies to examine benefit amounts and types of policies purchased. Benefit amounts of respondents ranged from \$91,250 to \$1,095,000 with a mean benefit amount of \$305,165 (excluding unlimited benefit policies). One percent purchased policies with unlimited (lifetime) benefit amounts. Ninety-two percent of respondents purchased individual policies and 97% were first time purchasers, as opposed to upgrades.

The Baseline Survey asks a series of questions to ascertain purchasers’ perceived current and past health status. Consistent with past data, nearly all (99%) respondents rated their health as either excellent (60%) or good (39%) as compared to other people their age. Reported functional limitations were consistent with respondents’ self reported health status, as 100% reported no Activities of Daily Living (ADL) deficiencies and 99% reported no Instrumental Activities of Daily Living (IADL) limitations. Using the Rosow-Breslau index, which measures a broader range of disabilities, 99% indicated they were able to perform all of the activities independently. (Rosow and Breslau, 1966.) The most common health conditions reported at the time the survey was completed were: hypertension (20%), arthritis (10%) and diabetes

(10%). The health conditions most frequently reported as occurring in the past were: hypertension (20%), arthritis (9%) and diabetes (10%).

The survey also seeks to find out why individuals purchase long-term care insurance. There are a variety of reasons why people purchase long-term care insurance. Respondents reported three major reasons they chose to purchase a Partnership insurance policy: to pay for future services (88%); to protect their spouse and family (83%); and to protect their assets (82%). Over one-quarter (28%) of respondents stated they purchased a policy as an alternative to transferring assets in order to access the Medicaid program. There are also certain unique features of Partnership policies that are attractive to purchasers. The Medicaid Asset Protection feature was considered very important or important by 91% of respondents and the State seal of approval was considered very important or important by 86%. While not necessarily unique to Partnership policies, coverage for home and community-based services was considered very important or important by 96% of respondents and the no prior hospitalization and institutionalization requirement was considered very important or important by 92% of respondents.

The survey examined how purchasers first heard about the Partnership. Sixty-one percent of respondents heard about the Partnership from their insurance agent. Twenty-six percent heard about the Partnership from their financial planner or attorney and another 26% heard about the Partnership from Partnership brochures.

B. Survey of Persons Denied Insurance

This report presents findings from a survey of individuals who applied for and were denied a Connecticut Partnership for Long-Term Care insurance policy during the period from April 1, 1992, through June 30, 2010, and who completed the survey. The Denied Survey report includes results from all respondents because the sample size from July 1, 2009 to June 30, 2010 is too small to perform meaningful analysis. The data collected include demographic and socio-economic characteristics, as well as the self-reported health and functional status of these individuals. This report also examines applicants' perceived reason for denial and whether or not they applied to other companies for long-term care insurance coverage.

During this time period, 64,838 applications were received for Partnership-approved policies and 8,491 of these applications were denied. This represents a 13% denial rate. A total of 2,055 completed surveys were received resulting in a 24% response rate.

Fifty percent of respondents were 65 or older, with ages ranging from 20 – 89 years old (mean: 65). Respondents were almost equally divided by gender: 49% male and 51% female. The majority (72%) were married and living with their spouse (70%). Eighty-two percent reported having at least one child, and three-quarters (74%) reported that at least one of their children lived within one hour's travel distance. Forty-three percent of respondents reported a gross monthly household income of over \$5,000, 21% reported income below \$2,500. Eleven percent of respondents reported their total

household assets to be less than \$50,000 and 44% indicated they had assets totaling over \$350,000.

When asked to rate their health compared to others their age, 87% of respondents reported that they were in excellent or good health. In examining functional status, 99% reported no ADL limitations and 93% reported no IADL limitations. However, with regards to the Rosow index, 20% indicated that they needed assistance with at least one of the activities. The three most prevalent current health conditions reported were: hypertension (31%), diabetes (23%) and arthritis (23%). The majority (65%) of respondents believed that they were denied long-term care insurance because of health reasons. Twenty-one percent stated that they did not know why they were denied.

Over one-third (36%) of respondents reported that they had already applied to another insurance company. Of these individuals, 27% had already been approved, with an additional 31% reporting that their application was pending. These findings have been consistent since the Partnership's inception and continue to indicate that there is substantial variation among companies' underwriting practices.

C. Survey of Persons Dropping Insurance

This report describes purchasers of Partnership insurance policies who decided to drop their policy during the period from July 1, 2009 to June 30, 2010, and who completed the survey. The survey collected basic demographic data, as well as reasons for dropping insurance and the purchasers' level of understanding of specific features of the Partnership policy. During this time frame, 100 completed surveys were returned, for a total response rate of 29%.

The mean age for all respondents was 65, with an age distribution ranging from 38 – 88. Fifty-five percent were under the age of 65 and 68% were under the age of 70. The majority of respondents were women (55%). Sixty percent of respondents were married and 60% reported that they lived with their spouse. Twenty-two percent reported living alone. Thirty-six percent indicated that their monthly household income was over \$5,000. Thirty-three percent reported a monthly income below \$2,500. Forty-eight percent of respondents reported household asset levels less than \$100,000, with 21% below \$25,000. Twenty-one percent reported assets of over \$350,000.

As has been consistent since the Partnership began administering this survey, the majority (78%) of respondents report that their major reason for dropping was because the policy was "too costly". The survey also examines respondents' level of understanding of certain policy features. When asked how well they understood their Partnership policy, 55% said they understood their policy completely. Forty-six percent indicated that they were not aware of the reinstatement provision, which is not a unique feature of Partnership policies, and 63% were not aware of the provision for reinstatement due to cognitive impairment. The option to reduce coverage is an important required feature unique to the Partnership that states that the company must proactively offer policyholders, in the event they are about to lapse their policy, the

option to reduce their coverage to a shorter benefit period than originally purchased. Seventeen percent said they had been offered this benefit. Partnership staff continue to emphasize the importance of the reduced benefit option requirement during presentations, to both insurance producers and the general public, and as part of every Partnership producer certification training class.

II. BASELINE SURVEY OF PERSONS PURCHASING INSURANCE

The Baseline Survey of Persons Purchasing Insurance provides a comprehensive description of individuals who purchased a Connecticut Partnership for Long-Term Care insurance policy and completed the survey. This study collects demographic characteristics, income and asset information, health and functional status, reasons for purchasing and how purchasers heard about the Partnership. Baseline Surveys were mailed to a 50% sample of 2nd and 4th quarter purchasers of Partnership policies during the period from July 1, 2009 to June 30, 2010. Purchasers who had a policy purchase and drop activity reported in the same quarter were excluded. Beginning in 2001, the Baseline survey process was reduced to alternating quarters with Baseline surveys being mailed to a 50% random sample of 2nd and 4th quarter purchasers only. Prior to 2001, the Baseline Survey was mailed to all purchasers each quarter. A total of 201 completed surveys were returned for this period (7/1/09 – 6/30/10), representing an overall response rate of 46%.

All participating Partnership insurers are required to report quarterly data to the Office of Policy and Management on all individuals who: purchased, dropped or changed a Partnership policy during the quarter; had assessments or reassessments performed; or received services that were paid for by the insurance policy. A Baseline Survey, along with a cover letter signed by the Partnership Director, and an addressed return envelope, is mailed to a 50% random sample of 2nd and 4th quarter purchasers. A document outlining Partnership policyholder rights and responsibilities is mailed to every purchaser. Purchasers who are reported as having dropped during the quarter are excluded. In addition, an individual who purchased more than one policy during the quarter receives only one survey. Some purchasers choose to apply to more than one carrier, are approved by each and then almost always choose to retain coverage under only one of the policies. After 5-6 weeks, a second copy of the survey with a cover letter is sent to non-respondents.

Prior to June 30, 1996, the surveys were administered by an outside consultant. As of July 1, 1996, the Connecticut Partnership office assumed responsibility for administering this survey and found it necessary to make several changes to the survey methodology. In order to reduce expenses, the return envelope included in the mailing was no longer postage paid. This resulted in a slight drop in the response rate. In addition, a telephone follow-up to collect information from non-respondents to the first and second mailings was discontinued effective April 1, 1994. These changes have had very little, if any, impact on the survey results and, therefore, the findings in this report can be included with those collected previously.

In May, 1997, under question number 21 of the survey, the following activity was added: “Maintaining control of your bowel/bladder function”. Effective April, 1998, there were several other changes made to the Baseline Survey. In question number 4 (“What is your race?”), the choice “Native American” was changed to “American Indian” and “Hispanic” was deleted. Question 4.a. was added: “Are you of Hispanic or Latino origin?” Beginning with the third quarter of 1999, the choice of “Children Live with Me” was added under Living Arrangements. This action was prompted by a number of

primarily younger survey respondents specifying this distinction on their survey instead of checking “Live with Children.” In the second quarter of 2002, two health conditions were added: “osteoporosis” and “seizure disorder”. Beginning with the baseline survey mailing that was sent to purchasers who purchased during the 4th quarter of 2004, a new choice was added for marital status (same-sex partnered) and for living arrangements (live with same-sex partner). There was also a new choice added under reasons for purchasing: “Have seen relatives/friends deplete assets paying for long-term care”.

A. Characteristics of Individuals Purchasing Insurance

1. Demographics

Demographic information on individuals who purchased Partnership policies between 7/1/09 and 6/30/10 and responded to the Baseline Survey, as well as those who purchased prior to this period and responded to the Baseline Survey, are reported in Table 1 below.

The average age of all Baseline respondents during the period from 7/1/09 through 6/30/10 was 60 years, with a range from 41 to 73 years (standard deviation of 5.9 years). The average age for female respondents was 60 and for male respondents, it was 61.

There was a decrease in the percentage of female survey respondents from 59% in last year's data to 55% in the current data. The percentage of survey respondents reporting they were married increased from 75% to 79% and the percentage of those reporting they lived with their spouse increased from 73% to 79%. Respondents who reported their race as being White increased from 93% to 98%, while those reporting Black or other decreased from 7% to 2%. The percentage of respondents who said they have no children living within one hour decreased from 54% to 45%, while those who said they have 1 child within an hour's drive increased from 19% to 30%.

Table 1. Demographic Characteristics

	Previous Project Total 4/1/92 – 6/30/09 N=12,587	Current Report 7/1/09 – 6/30/10 N=201
Age:	%	%
<50	7	5
50-54	12	10
55-59	21	29
60-64	24	32
65-69	21	18
70-74	11	5
75-79	4	0
80+	1	0
Gender:		
Male	44	45
Female	56	55
Marital Status:		
Married	76	79
Widowed	10	4
Divorced	8	12
Separated	0	0
Single	5	5
Same-Sex Partnered**	0	0
Race:		
White	97	98
Black	1	1
Other	2	1
Living Arrangements: *		
Alone	16	15
With Spouse	76	79
Other Relatives	3	1
Non-Relatives	1	1
Unmarried Partner	3	2
With Children	4	6
Children With Me	6	14
Live With Same-Sex Partner**	0	0
Number of People in Household		
1	16	15
2	63	57
3+	21	28
Number of Children W/In 1 Hour:		
0	28	45
1	31	30
2	25	20
3+	16	6

NOTE: Due to rounding, some numbers may not add up to 100%.

* Not Mutually Exclusive

** Field Added 4th Quarter 2004

As mentioned above, participating Partnership insurers are required to report information on all individuals who purchased during each quarter of the year. Where possible, information received from the companies on all purchasers was compared with data collected from survey respondents who purchased between July 1, 2009, and June 30, 2010, to determine whether the survey population was a representative sample of the total population of purchasers. Forty-four percent of all purchasers were male and 56% were female. The mean age of all purchasers during this time period was 58, while the mean age for survey respondents was slightly higher at 60. While 23% of survey respondents reported they were 65 or older, only 19% of all purchasers were 65 or older during this period. This difference is consistent with past survey results and would seem to indicate that a larger percentage of older purchasers choose to respond to the survey.

2. Income/Asset Information

There were minimal changes when comparing last year's monthly household income data to this year's data (below).

Table 2.
Monthly Household Income n=189
7/1/09 – 6/30/10

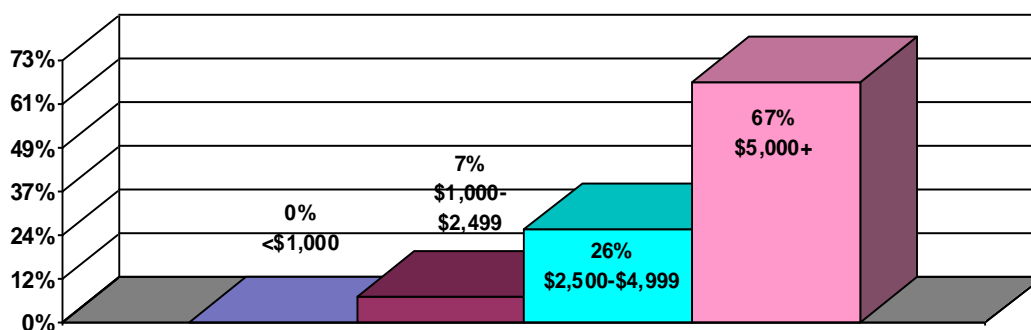


Table 2.a.
Monthly Household Income by Age Range n=188
July 1, 2009 – June 30, 2010

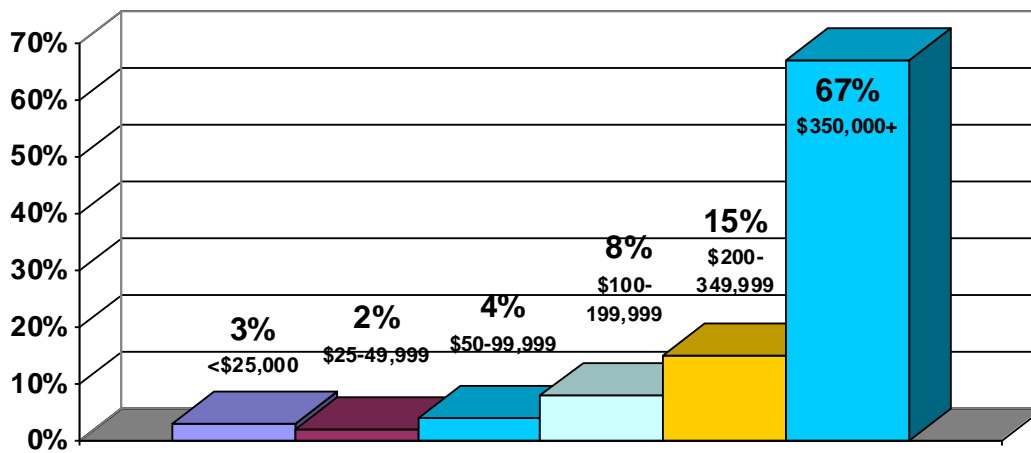
INCOME	<50	50 – 54	55 – 59	AGE 60 – 64	65 – 69	70 – 74	75 -79	80+
<\$1,000	0%	0%	0%	0%	0%	0%	0%	0%
\$1,000-\$2,499	0%	0%	15%	39%	23%	23%	0%	0%
\$2,500-\$4,999	4%	4%	31%	43%	14%	4%	0%	0%
\$5,000+	6%	13%	30%	27%	19%	5%	0%	0%

NOTE: Due to rounding, numbers may not add up to 100%.
Percents are read across.

There were some significant changes in total household assets. Those respondents reporting assets of over \$350,000 increased significantly from 47% in last year's data to 67% in the current data. There was a decrease in every other asset category. Those reporting assets in the \$200-\$349,999 range decreased from 21% to 15%. Those in the less than \$200,000 asset ranges decreased from 32% to 17%. It is important to note that, for the purposes of these surveys, assets are defined as including: bank accounts, stocks, bonds, investment or business property and the cash value of any life insurance. Respondents are asked **not** to include their house or car as an asset. However, there is no way to guarantee that respondents are always excluding the value of their homes and cars.

It is also important to note that Medicaid Asset Protection under the Partnership is earned at a rate of one dollar for every dollar the Partnership policy pays in benefits. Therefore, individuals with significant amounts of assets would need to use an amount of private insurance equal to their assets before they could earn enough Medicaid Asset Protection to be eligible for Medicaid.

Table 3.
Total Household Assets of Survey Respondents n=181
July 1, 2009 – June 30, 2010
(Assets do not include homes and cars)



NOTE: Due to rounding, numbers may not add up to 100%.

Table 3.a.
Total Household Assets by Age Range n=180
July 1, 2009 – June 30, 2010
(Assets do not include homes and cars)

ASSETS	<50	50 – 54	55 – 59	AGE 60 – 64	65 – 69	70 – 74	75 -79	80+
<\$25,000	17%	17%	17%	33%	0%	17%	0%	0%
\$25-49,999	0%	0%	50%	0%	50%	0%	0%	0%
\$50-99,999	14%	14%	43%	29%	0%	0%	0%	0%
\$100-199,999	7%	14%	43%	14%	21%	0%	0%	0%
\$200-349,999	0%	11%	29%	43%	18%	0%	0%	0%
\$350,000+	6%	7%	29%	33%	18%	7%	0%	0%

NOTE: Due to rounding, numbers may not add up to 100%.
 Percents are read across.

3. Health Status and Functional Level

The Baseline Survey examines health and functional status in a variety of ways. Firstly, self-reported diagnoses are used to determine the prevalence of specific health conditions. Secondly, data are collected on self-reported health status with the question: “Compared to other persons your age, would you say your health is: Excellent, Good, Fair or Poor?” Lastly, the prior and current use of health services is examined by looking at emergency room stays, visits to doctors, and admissions to hospitals in the last six months, as well as whether there are any health problems for which an individual is being currently treated or had been treated in the past six months. Functional status is measured by examining Activities of Daily Living (ADL) and Instrumental Activities of Daily Living (IADL) limitations, as well as using the Rosow-Breslau index which measures a broader range of disabilities beyond the ADL and IADL scales.

a. Health Status

The most common self-reported health conditions at the time the survey was completed (for 2009/10) were: hypertension (20%), arthritis (10%) and diabetes (10%). The most frequently occurring health conditions that respondents reported experiencing in the past were: hypertension (20%), arthritis (9%) and diabetes (8%). Those reporting they had arthritis when they completed the survey decreased from 17% in the previous year’s data to 10% in the current data. Those indicating they had diabetes decreased from 15%, to 10%. See Table 4 for complete data regarding specific health conditions.

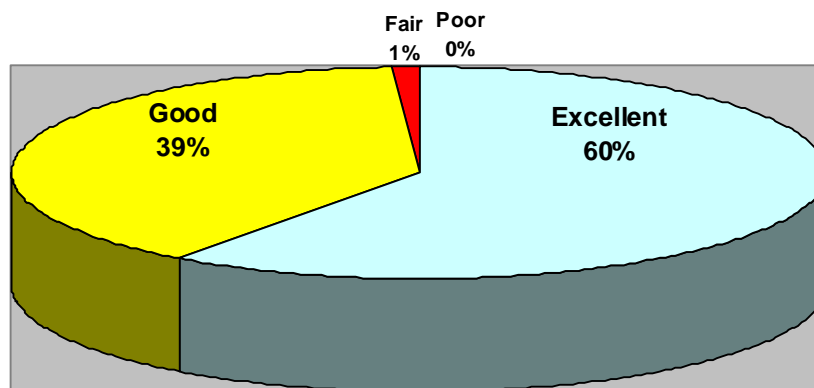
Table 4.
Prevalence of Prior and Current Health Conditions N=201
July 1, 2009 – June 30, 2010

Health Condition*	Prior (had condition in the past)	Current (had condition at time of survey completion)
	%	%
Hypertension	20	20
Arthritis	9	10
Diabetes	8	10
Eye Disease	4	3
Osteoporosis	2	3
Respiratory Illness	8	5
Spine Disorder	6	1
Heart Condition	2	1
Stomach	8	3
Mental/Psychiatric Conditions	1	0
Anemia	1	0
Circulation Problems	0	0
Nerve	1	1
Cancer	6	0
Joint Replacement	3	2
Liver/Kidney Disease	0	0
Seizure Disorder/Epilepsy	0	0
Hip Fracture	0	0
Alcohol/Drug Dependency	0	0
Stroke	0	0
Alzheimer's	0	0
Parkinson's	0	0

* Not mutually exclusive

Based on self-reported health status, 99% of respondents rated their health as either excellent (60%) or good (39%). (See Table 5.) In last year's report (2008/09), 57% rated their health status as excellent and 39% as good. There had been a decreasing trend in the percentage of those who rated their health as excellent. This is the first year in 4 years that this figure has increased.

Table 5.
Perceived Health Status n=199
July 1, 2009 – June 30, 2010



Although almost all respondents reported excellent or good health, 35% percent indicated that they were being treated for a health problem currently or had been treated in the last 6 months. Forty-one percent reported they had 2 or more doctor/clinic visits in the previous 6 months. As would be expected in a relatively healthy population, hospital admissions were low (2% had one, 1% had two or more), as were emergency room visits (4% had one).

b. Functional Status

The Connecticut Partnership for Long-Term Care defines one of the triggers for accessing benefits as the need for assistance with two or more activities of daily living (ADL) out of a list of six ADLs: bathing, dressing, transferring, toileting, eating, and continence. A cumulative ADL score, from 0 to 6, was calculated for each respondent based on their reported need for assistance from another person to perform each of the six ADLs. Not surprisingly, no one reported any ADL deficiencies. (See Table 6.)

Data on needing assistance with IADLs were also gathered. Nine IADLs were included in the survey: preparing meals, grocery shopping, routine household chores, managing money, doing laundry, taking medications, getting to places out of walking distance, using the telephone and getting around inside the house. Cumulative IADL scores (0-9) were computed for each respondent based on their self-reported need for assistance from another person. Only 2 people reported having any IADL deficiencies. (See Table 6.)

The Rosow-Breslau score was the last measure of functional status that was used in the survey. The cumulative score (0-4) was based on the following four variables: walking up and down one flight of stairs; going to a movie, church/synagogue or meeting friends; doing heavy work around the house; and walking half a mile. Ninety-nine percent of the survey population reported having no difficulties performing these activities. (See Table 6.) All of the figures reported in Table 6 have remained virtually unchanged when compared with past data.

Table 6
Cumulative ADL, IADL and Rosow Deficits
July 1, 2009 – June 30, 2010

Functional Measure	Frequency	Percent
ADL Deficiencies		
0	201	100
1	0	0
2	0	0
3	0	0
4	0	0
IADL Deficiencies		
0	199	99
1	1	0.5
2	0	0
3	0	0
4	0	0
>4	1	0.5
Rosow-Breslau		
0	199	99
1	1	0.5
2	0	0
3	0	0
4	1	0.5

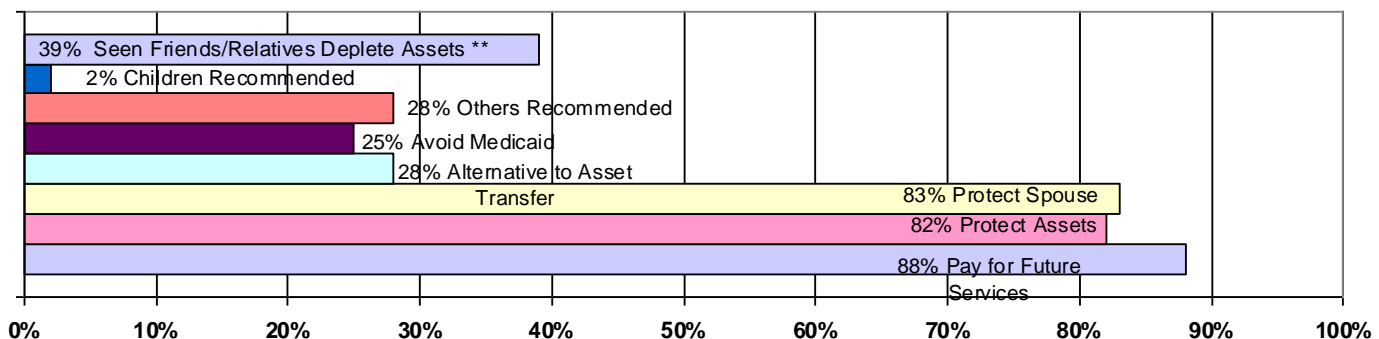
NOTE: Due to rounding, some numbers may not add up to 100%.

B. Reasons for Purchasing Insurance and Important Features

1. Reasons for Purchasing

Consistently, there have been three major reasons why individuals choose to purchase a Connecticut Partnership for Long-Term Care insurance policy: to pay for future services (88%); to protect their spouse and family (83%); and to protect their assets (82%). Respondents who said they purchased to protect their assets increased from 77% to 82%. Over one-quarter (28%) of respondents indicated that they purchased insurance as an alternative to transferring assets. **When looking at all survey data (4/1/92 through 6/30/10), 29% of survey respondents said they purchased as an alternative to transferring assets.**

Table 7
Reasons for Purchasing N=201
July 1, 2009 – June 30, 2010



* Responses are not mutually exclusive

Respondents were asked to rate the relative importance of specific Partnership policy features when selecting their policy. The State seal of approval was considered very important or important by 86% of purchasers and the Medicaid Asset Protection feature was considered very important or important by 91%. These are the two most unique features of the Partnership. Other features, not necessarily unique to the Partnership, also influenced purchasers' decisions to buy a policy: more affordable premiums (96% very important or important); coverage for home and community-based services (96% very important or important); case management services (84% very important or important); and the no prior hospitalization and institutionalization requirement (92% very important or important). Eighty-one percent of respondents indicated that the advice of their agent was very important or important. This represents a decrease from 86% in last year's data. Forty-eight percent noted that the Partnership information they received from the Department of Social Services (DSS) was very important or important.

In trying to measure the influence of the Partnership, the Baseline Survey asks a series of questions, including: "Were you considering purchasing long-term care

insurance before you heard about the Partnership?"; "Did the Partnership influence your decision to purchase?"; and "Would you have purchased long-term care insurance in the absence of the Partnership?" In the 2009/10 data, ninety percent of respondents said they were considering purchasing long-term care insurance before they heard about the Connecticut Partnership. This represents a significant increase from last year's data (82%). Sixty-one percent of respondents said the Partnership influenced their decision to purchase long-term care insurance. This was a decrease from 65% in last year's data. The third question is only relevant for first time purchasers, as opposed to those who upgraded or replaced an old policy. When looking at first time purchasers only, 22% of the 2009/10 respondents reported that, without the Partnership, they would not have purchased a long-term care policy. This is a substantial decrease from 29% in last year's data.

Table 8
Influence of the Partnership

	4/1/92 – 6/30/10 (All Data)	7/1/09 – 6/30/10
Considered purchasing LTCI before hearing about the Partnership		
YES	81%	90%
NO	19%	10%
Partnership influenced decision to purchase		
YES	67%	61%
NO	33%	39%
Would have purchased LTCI without the Partnership		
YES	69%	78%
NO	26%	22%
MAYBE	5%	0.5%

Note: Due to rounding, some numbers may not add up to 100%.

C. How Purchasers Heard About the Partnership and Policy-Specific Information

The survey includes a question asking how purchasers heard about the Connecticut Partnership for Long-Term Care. The Partnership continues to engage in significant outreach to agents who are certified to sell Connecticut Partnership policies. In this year's data, there was a substantial increase in those respondents reporting that they first heard about the Partnership from their agents from 39% (last year) to 61%. Increases were also evident in respondents reporting that they heard about the Partnership from insurance company literature or presentations, financial advisors, planners or attorneys and from Partnership brochures. Those reporting that they heard about the Partnership from their employers decreased from 21% to 2%.

Table 9.
How Purchasers First Heard About the Partnership

SOURCE	Previous Project Total N=12,587 (4/1/92 - 6/30/09)	This Report N=201 (7/1/09 - 6/30/10)
Insurance Agent	50%	61%
Insurance Company Literature or Presentation	30%	25%
Financial Advisor, Planner, Attorney	24% **	26%
Partnership Brochures	23%	26%
Newspaper Article	11%	4%
Relative or Spouse	12%	10%
Attended a Partnership Group Presentation	11%	5%
Employer	11%	2%
I never Heard of the Partnership	5%	8%
Radio, TV or Newspaper Ad	8% *	5%
Other	7%	7%
Radio or TV News/Talk Shows	3%	1%
Through my Work with the Insurance Industry	2% **	0%
Received Counseling from a DSS Volunteer	1%	0%

Responses not mutually exclusive Valid responses vary with each variable
 * n=12,176 ** n=11,537 These variables were added at a later date.

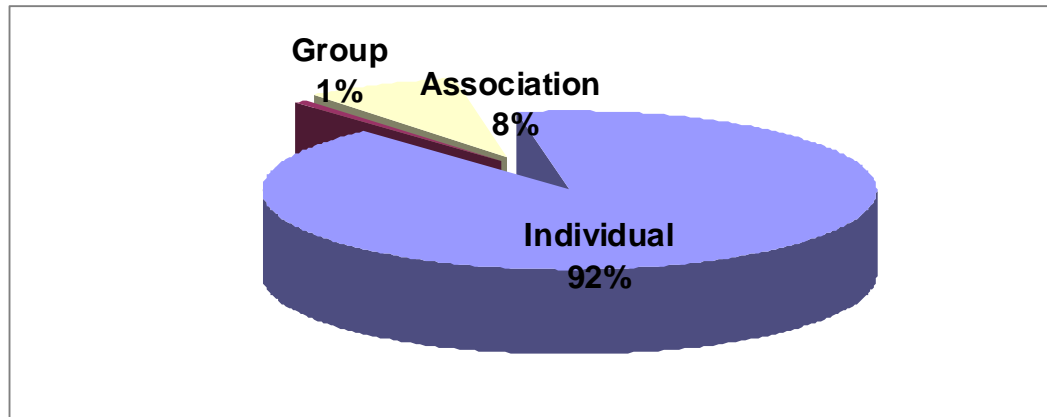
The survey also includes a question asking how individuals learned specific information about the long-term care policy they decided to purchase. The two most commonly reported sources of policy-specific information are from insurance agents (66%) and from insurance company literature or presentations (38%).

D. Characteristics of Policies Purchased

To ascertain specific policy information, data from the Baseline Survey were linked with data received from the insurance companies for those purchasers who responded to the survey. The majority (92%) of respondents purchased individual policies, with 1% purchasing through groups and 8% through associations. (See Table 10 below.) In last year's data, 64% were individual policies and 35% were through associations. The 2009/10 survey data was compared to all of the purchaser data as reported by the participating insurers for this same time period: 91% purchased individual policies, 0% purchased group policies and 10% purchased through

associations. (Note: Some offerings through groups, such as the State of Connecticut offering, actually issue individual policies.)

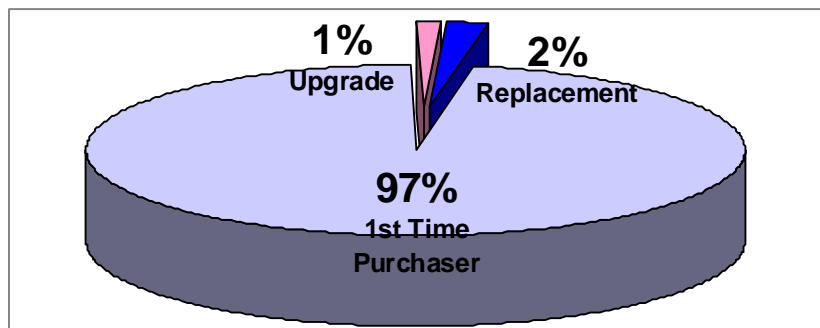
Table 10
Individual/Group/Association Status for Respondents
N=201
July 1, 2009 – June 30, 2010



NOTE: Due to rounding, numbers may not add up to 100%.

Ninety-seven percent of the 2009/10 survey respondents reported being first time purchasers. The percentage of respondents who indicated their policy was an upgrade (converted within the same company from a non-Partnership to a Partnership policy) was 1% and those who reported their policy was a replacement (replaced another company's Partnership or non-Partnership policy with the reporting company's Partnership policy) was 2%. The 2009/10 data was compared to all of the purchaser data as reported by the participating insurers for this same time period: 97% were first time purchasers, 0.5% were upgrades and 3% were replacements.

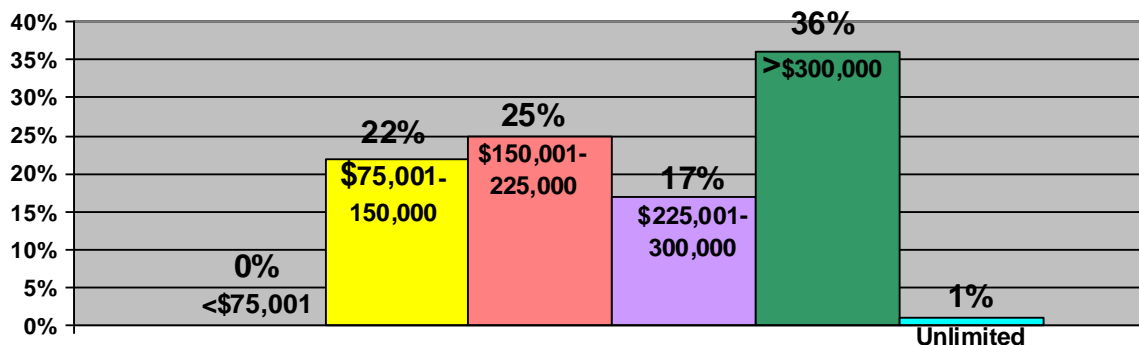
Table 11
New/Upgrade/Replacement Status for Respondents
N=201
July 1, 2009 – June 30, 2010



The mean benefit amount purchased by survey respondents in 2009/10 was \$305,165 (an increase from \$284,824 in the last year's data) with a minimum of \$91,250 and a maximum of \$1,095,000. This was compared to data received from the insurance companies on all purchasers during the period from 7/1/09 – 6/30/10. The mean benefit amount for all purchasers was \$305,700, with a minimum of \$71,175 and a maximum of \$1,040,290. These figures do not include lifetime (unlimited benefit) policies. It should be noted that the mean benefit is influenced, in part, by the required annual increases in minimum allowable benefits.

The total policy amount at time of purchase is examined in Table 12. The lowest benefit levels (<\$150,001) varied only slightly from last year's data. However, the highest category (>\$300,000) increased from 30% to 36%, while the mid-level category (\$150,001-225,000) decreased from 30% to 25%. The 1% of respondents who purchased unlimited benefit amounts remained unchanged at 1%.

Table 12
Total Policy Maximum Amount
July 1, 2009 – June 30, 2010



NOTE: Due to rounding, numbers may not add up to 100%.

Table 13 compares income and asset levels as they relate to mean maximum benefit amount purchased. There is a positive relationship between policy amount purchased and monthly income (as income increases, so does the mean policy amount). Interestingly, however, this positive relationship is not as clear when looking at the relationship between policy amount purchased and asset levels. The mean benefit amount purchased increases for the lowest 2 asset levels, then sharply decreases, then starts to increase again for the highest categories.

Table 13
Income and Asset Levels of Survey Respondents
By Mean Policy Amount
July 1, 2009 – June 30, 2010

	N	%	Mean Policy Amount **
Income	196		\$306,550
<1,000	0	0	0
1,000 – 2,499	13	7	203,342
2,500 – 4,999	50	26	298,673
5,000+	133	68	319,598
Assets	188		311,139
<25,000	6	3	212,917
25,000 - 49,999	4	2	271,750
50,000 - 99,999	7	4	224,385
100,000 – 199,999	15	8	202,279
200,000 – 349,999	30	16	245,419
350,000+	126	67	346,094
Missing Data Excluded		** Unlimited Benefit Amount Excluded	

E. Conclusion

The data collected from Baseline Survey respondents who purchased policies during the period July 1, 2009 through June 30, 2010 revealed several interesting and significant changes when compared to previous survey data. There was a decrease in the percentage of female survey respondents from 59% to 55%. The percentage of survey respondents reporting they were married increased from 75% to 79% and the percentage of those reporting they lived with their spouse increased from 73% to 79%. The percentage of respondents who said they have no children living within one hour decreased from 54% to 45%, while those who said they have 1 child within an hour's drive increased from 19% to 30%.

There were some significant changes in total household assets. Those respondents reporting assets of over \$350,000 increased significantly from 47% in last year's data to 67% in the current data. There was a decrease in every other asset category. Those reporting assets in the \$200-\$349,999 range decreased from 21% to 15%. Those in the less than \$200,000 asset ranges decreased from 32% to 17%.

There was a decrease in the percentage of respondents reporting they had arthritis from 17% to 10%. Those reporting they had diabetes also decreased from 15% to 10%. Sixty percent indicated their health was excellent. Thirty-five percent reported that they were being treated for a health problem currently or had been treated in the last 6 months.

Sixty-one percent of survey respondents said that the Partnership influenced their decision to purchase long-term care insurance. Last year, this figure was 65%. Twenty-two percent reported that, without the Partnership, they would not have purchased long-term care insurance. This represents a significant decrease from 29%.

The mean benefit amount purchased by survey respondents in 2009/10 was \$305,165. This represents an increase from \$284,824 in the previous year's data. There were some notable changes when comparing total policy maximum amounts from last year's data to the current 2009/10 data. Those respondents who purchased at the highest benefit level (>\$300,000) increased from 30% to 36%, while those purchasing benefits in the mid-level range of \$150,001-225,000 decreased from 30% to 25%.

III. SURVEY OF PERSONS DENIED INSURANCE

This section of the report presents the findings from a survey of individuals who applied for and were denied a Connecticut Partnership for Long-Term Care insurance policy during the period from April 1, 1992, through June 30, 2010. The reason this time frame is longer than that of the Baseline or Drop Survey is that the Denied Survey population is too small to use a single year of data to produce any meaningful analysis. Therefore, a decision was made to include all of the surveys received from persons denied coverage since the Partnership's inception in April, 1992, through June 30, 2010. The data collected include demographic and socio-economic characteristics, as well as self-reported health and functional status of these individuals. This survey also examines their perceived reason for denial and whether or not they applied to other companies or appealed the company's decision to deny coverage.

Connecticut Partnership participating insurers are required to send the Denied Survey, along with a cover letter from the State, 2-3 days after sending their own denial letter, to all applicants who are denied a Partnership policy. (A follow-up survey mailing was introduced in January 1995, when person-specific information began to be reported by insurers to the state. Prior to this date, only aggregate data was collected. Then, effective July 1, 1997, the decision to collect person-specific data was reversed and only aggregate quarterly denial totals have since been collected.) All of the Denied Survey materials are provided to the insurers by the Partnership office.

During the period from April, 1992, through June 30, 2010, 64,838 Partnership applications were received by participating insurers of which 8,491 applications were denied. This represents a 13% denial rate. A total of 2,055 completed surveys were received for a total response rate of 24%.

Prior to June 30, 1996, the surveys were administered by an outside consultant. As of July 1, 1996, the Connecticut Partnership office assumed responsibility for administering this survey. In order to reduce expenses, the Partnership was no longer able to provide paid postage on the return envelope that accompanies the survey.

Effective April, 1998, several changes were made to the Denied Survey. In question number 4 ("What is your race?"), the choice "Native American" was changed to "American Indian" and "Hispanic" was deleted. Question 4.a. was added: "Are you of Hispanic or Latino origin?" Also, "Maintaining control of your bowel/bladder function" was added to the list of activities under Question 19.

Effective in the third quarter of 1999, an additional choice was added under living arrangements: "Children Live with Me" was added to allow respondents to differentiate from the response "Live with Children". In the second quarter of 2002, two health conditions were added: osteoporosis and seizure disorder. Beginning with the denied surveys that were sent after January 1, 2005, a new choice was added for marital status (same-sex partnered) and for living arrangements (live with same-sex partner).

A. Demographic Characteristics

The age range for survey respondents was 20 – 89 years, with a mean age of 65 and a standard deviation of 8.6 years. (See Table 14.) The age cohorts have been fairly consistent over the last few years. Women were slightly younger than men: the mean age for women was 64 (range 20-89) and the mean age for men was 66 (range 35-89). Almost the entire study population was white (97%). Respondents were almost equally divided by gender: 49% of respondents were male and 51% were female. The majority were married (72%), with 13% widowed, 9% divorced and 6% never married or single. Seventy percent of respondents lived with their spouse and 20% lived alone. Five percent indicated that they lived with their children, 3% lived with other relatives and 2% lived with an unmarried partner. Six percent of respondents said that their children lived with them. The majority (82%) of respondents reported having at least one child, with 70% having 2 or more. Almost three-quarters (74%) reported that at least one of their children lived within one hour's travel distance. All of these figures have been very consistent over the past several years.

Table 14. Demographic Characteristics of Persons Denied Insurance
April 1, 1992 – June 30 – 2010

Demographic Characteristics	Percent (%)	N=2,055*
Age: Less than 50	4	
50-54	7	
55-59	15	
60-64	23	
65-69	22	
70-74	16	
75-79	9	
80+	3	
Gender		
Male	49	
Female	51	
Marital Status		
Married	72	
Widowed	13	
Divorced	9	
Single	6	
Same-Sex Partnered****	0	
Race		
White	97	
Other	3	
Living Arrangements **		
Alone	20	
With Spouse	70	
With Children	5	
Children With Me ***	6	
Other relatives	3	
Non-Relatives	1	
Unmarried Partner	2	
With Same-Sex Partner****	0	
Number of People in Household		
1	20	
2	63	
3	11	
4+	6	
Number of Children		
0	17	
1	12	
2	32	
3	21	
4+	17	
Number of Children Within 1 Hour		
0	27	
1	32	
2	24	
3	12	
4+	6	

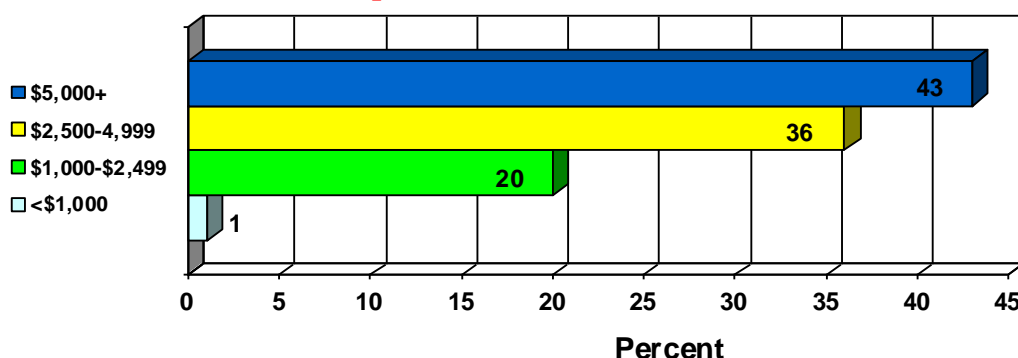
*Missing Data Excluded **Responses not mutually exclusive ***Added at a later date ****Added 1st Q 2005

NOTE: Due to rounding, some numbers may not add up to 100%.

B. Income and Asset Information

Tables 15 and 16 show a breakdown of income and assets as reported by respondents. Tables 15.a. and 16.a. look at income and assets by age range. Forty-three percent of respondents reported a gross monthly household income of over \$5,000, which represents an increase from 42% in the previous 2008/09 data. Thirty-six percent reported income ranging from \$2,500 - \$4,999 and 21% reported their monthly income as being below \$2,500. This was an increase from 20% in the 2008/09 data.

Table 15.
Gross Monthly Household Income n=1,952
April 1, 1992 – June 30, 2010



NOTE: Due to rounding, numbers may not add up to 100%.

Table 15.a.
Monthly Household Income by Age Range n=1,945
April 1, 1992 – June 30, 2010

INCOME	<50	50 – 54	55 – 59	AGE 60 – 64	65 – 69	70 – 74	75 -79	80+
<\$1,000	10%	0	0	10%	40%	30%	10%	0
\$1,000-\$2,499	4%	5%	10%	19%	20%	20%	16%	6%
\$2,500-\$4,999	3%	4%	13%	23%	27%	19%	9%	4%
\$5,000+	5%	12%	21%	25%	20%	10%	6%	1%

NOTE: Due to rounding, numbers may not add up to 100%.
 Percents are read across.

Asset level data remained unchanged from the previous report.

Table 16
Total Household Assets n=1,849 (not including house and car)
April 1, 1992 – June 30, 2010

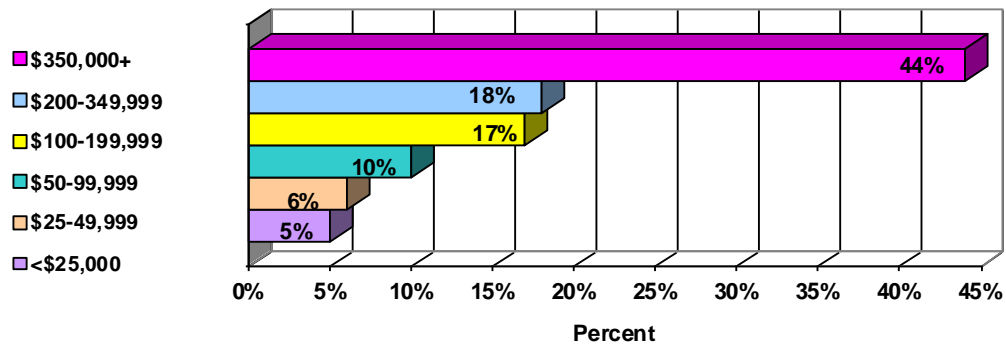


Table 16.a.
Total Household Assets by Age Range n=1,842
April 1, 1992 – June 30, 2010
(Assets do not include homes and cars)

ASSETS	AGE							
	<50	50 – 54	55 – 59	60 – 64	65 – 69	70 – 74	75 -79	80+
<\$25,000	14%	6%	13%	23%	22%	15%	6%	2%
\$25-49,999	12%	7%	10%	18%	16%	18%	13%	6%
\$50-99,999	5%	10%	13%	18%	18%	17%	16%	3%
\$100-199,999	4%	7%	13%	19%	25%	17%	10%	4%
\$200-349,999	3%	9%	17%	20%	24%	15%	7%	6%
\$350,000+	2%	7%	18%	28%	23%	13%	7%	2%

NOTE: Due to rounding, numbers may not add up to 100%.
 Percents are read across.

Table 17
Level of Assets by Monthly Household Income
Of Persons Denied Insurance
n=1,829
April 1, 1992 – June 30, 2010

Total Assets	<\$1,000	Monthly Income \$1,000-\$2,499	\$2,500-4,999	\$5,000+	Total**
<\$25,000	5%	51%	31%	14%	101%
	56%	14%	4%	2%	5%
\$25,000-\$49,999	0%	45%	38%	17%	100%
	0%	14%	6%	2%	6%
\$50,000-\$99,999	0%	33%	39%	28%	100%
	0%	16%	10%	6%	10%
\$100,000-\$199,999	1%	28%	45%	27%	101%
	22%	25%	21%	10%	17%
\$200,000-\$349,999	0%	18%	43%	39%	100%
	0%	17%	22%	16%	18%
\$350,000+	0.2%	6%	30%	63%	99%
	22%	14%	37%	63%	44%
Total**	1%	19%	36%	44%	100%
	100%	100%	100%	99%	100%

The top percents are row percents: for example, 51% of those denied with assets <\$25,000 have a monthly income of \$1,000-\$2,499. The bottom percents should be read as column percents: for example, 14% of those denied with monthly incomes of \$1,000-\$2,499 have assets <\$25,000.

** Some percentages do not add up to 100% due to rounding

C. Health Status and Functional Level

1. Health Status

As in the Baseline Survey, health status is measured in three different ways: 1) self-reported diagnoses are used to determine the prevalence of specific health conditions; 2) data are collected on self-reported health status with the question: “Compared to other persons your age, would you say your health is: excellent, good, fair or poor?”; and 3) the prior use of health services is examined by looking at emergency room stays, doctor visits, hospital admissions and whether there are any health problems for which an individual is currently being treated.

The three most prevalent current conditions reported at the time of the survey were: hypertension (31%); diabetes (23%); and arthritis (23%). When looking at past conditions, the three most common were: hypertension (29%), arthritis (18%) and diabetes (16%).

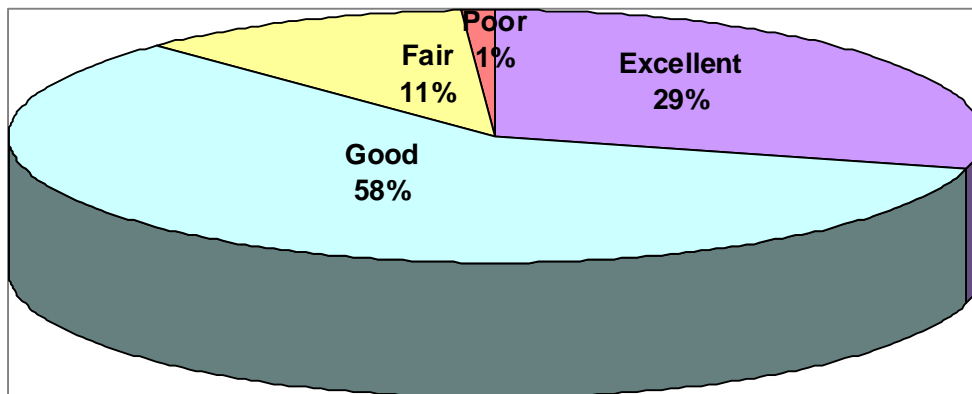
Table 18
Self-Reported Diagnoses for Past and Current Health Conditions n=2,055 *
April 1, 1992 – June 30, 2010

CONDITION	HAD IN PAST %	HAS CURRENTLY %
Hypertension	29	31
Diabetes	16	23
Arthritis	18	23
Heart Condition	15	9
Respiratory	11	9
Eye Disease	7	7
Spine Condition	9	7
Osteoporosis **	5	7
Circulation	5	5
Stomach	14	5
Nervous/Psych.	8	6
Cancer	15	3
Nerve/Muscle	4	4
Joint Replacement	5	3
Anemia	3	2
Liver/Kidney	3	2
Stroke	6	0
Seizure Disorder **	1	1
Alcohol/Drug	2	0
Hip Fracture	1	0
Parkinson's	0	0
Alzheimer's	0	0

*Not Mutually Exclusive ** Added at a later date: n=804

Respondents were then asked to rate their health as compared to others their same age. Eighty-seven percent indicated that they were in excellent (29%) or good (58%) health, while 11% indicated they were in fair or poor health.

Table 19
Perceived Health Status n=2,019
April 1, 1992 – June 30, 2010



There are several survey questions related to prior use of services. Respondents were asked to report how many times during the past six months they had visited the doctor, used the emergency room or been admitted to the hospital. They were also asked whether they had any physical condition for which they were currently receiving treatment or had received treatment in the last 6 months. The majority of respondents (88%) had visited their doctor at least once during the past six months. Nine percent reported going to the emergency room once and 7% reported being admitted to the hospital one time. Only 2% indicated that they had been to the emergency room more than once and 1% were admitted to the hospital more than once. Three-quarters of respondents (75%) reported that they were receiving treatment for a physical condition or illness (or had received treatment in the last six months).

Table 20
Health Status of Persons Denied Insurance
April 1, 1992 – June 30, 2010

Question	Percent
Number of Doctor Visits	
0	12
1	25
2	25
3	14
4	8
5+	16
Number of Emergency Room Visits	
0	89
1	9
2+	2
Number of Hospital Admissions	
0	92
1	7
2+	1
Currently Receiving Treatment	75

Note: Due to rounding, numbers may not add up to 100%.

2. Functional Level

The survey measures functional level in several different ways. Questions were included relating to dependencies in Activities of Daily Living (ADLs) and Instrumental Activities of Daily Living (IADLs). ADLs refer to the essential daily activities including: bathing, dressing, transferring, toileting, eating and continence. A cumulative ADL score, from 0 to 6, was calculated for each respondent based on their reported need for assistance from another person to perform each of the six ADLs. Almost all respondents (99%) reported no ADL deficiencies; 8 respondents reported one deficiency; and 8 individuals indicated two or more deficiencies. (See Table 21.)

The nine IADLs examined are: meal preparation, grocery shopping, routine household chores, money management, doing laundry, taking medication, using the phone, getting around the house and getting to places out of walking distance. Ninety-three percent of respondents reported needing no assistance with any of the IADLs; 4% reported needing assistance with 1 IADL; and another 4% indicated they needed help with 2 or more IADLs. (See Table 21.)

The survey also collected data on a broader range of disabilities using the Rosow-Breslau index, which examines the following four variables: ability to walk up and down

one flight of stairs; go out to a movie, church/synagogue or meet friends; do heavy work around the house; and walk half a mile. When looking at these variables, 80% of respondents reported that they were able to do each of the four activities without help; 13% indicated they needed assistance with one of the activities; 6% reported they needed assistance with two of the activities; and 1% needed help with 3 or 4 of the activities. (See Table 21.)

Table 21
Cumulative ADL, IADL and Rosow Deficits
April 1, 1992 – June 30, 2010

Functional Measure	Frequency	Percent
ADLs		
0	2039	99
1	8	0.4
2+	8	0.4
IADLs		
0	1907	93
1	75	4
2+	73	4
Rosow-Breslau		
0	1640	80
1	269	13
2	125	6
3+	21	1

D. Reasons for Denial

Though it is the practice of all of the Partnership companies not to reveal the specific reason for denial directly to the applicant, the majority (65%) of survey respondents believed that they were denied long-term care insurance because of health reasons. If the applicant wishes to obtain the specific reason they were denied coverage, they must request in writing that the company convey this information to their personal physician. Twenty-one percent of survey respondents reported that they did not know why they were denied. Twenty-eight percent reported “other” as their perceived reason for denial. In looking at the explanations provided for those who marked “other”, the majority reported a health related reason that they felt was either under control or should not have affected the company’s decision to approve or deny them coverage. It seems that a sizable number of respondents may be checking “other” instead of “health” because they do not perceive themselves as having a health problem. Of the 21% who did not know why they were denied, 93% reported they were in excellent or good health. Of the 65% who thought they were denied for a health reason, 85% said they were in excellent or good health.

Table 22
Perceived Reason for Denial
April 1, 1992 – June 30, 2010

Perceived Reason	Percent
Health	65
Unknown	21
Age	1
Incomplete Application	1
Other	28
Not mutually exclusive	

E. Current/Future Plans of Denied Persons

Respondents were asked whether, at the time of the survey, they had applied to any other long-term care insurance companies and what the status of their application was. It is not evident from the survey whether these companies participate in the Partnership. Over one-third (36%) of respondents reported that they had already applied to at least one other company: of these, 31% indicated that their application was pending; 27% reported their application was already approved; and 42% reported that they had been denied again. The data consistently indicate that there is substantial variation among companies' underwriting practices: over one-quarter of respondents who applied to other companies reported being approved for insurance coverage. The question was asked of all respondents whether they intended to apply to other companies. Forty-eight percent of respondents reported that they were planning to reapply.

Table 23
Status of Application to Alternative Company n=730
April 1, 1992 – June 30, 2010

Status	Percent
Application Pending	31%
Application Approved	27%
Application Denied	42%

F. Conclusion

As would be expected, the respondents to the Denied Survey appear to be less healthy than respondents to the Baseline Survey. Based on self-reported health status, only 29% of Denied respondents rated their health as excellent, compared to 60% of Baseline respondents. A much higher proportion of Denied respondents reported having specific health conditions. Seventy-five percent of Denied respondents reported that they were receiving treatment for a physical condition or illness, compared to only 42% of Baseline respondents.

There was also a significant difference between Denied and Baseline respondents when looking at functional status as measured by IADLs and Rosow deficits. Denied respondents reported having more limitations: 93% indicated they had no IADL limitations, and 80% reported having no Rosow deficits. Baseline respondents reported very few limitations: 99% indicated they did not need assistance with any IADLs and 99% reported having no Rosow deficits.

One of the most interesting and surprising results from the Denied Survey that has continued steadily from year to year, is the high rate of acceptance of Denied respondents who re-apply for long-term care insurance. Thirty-six percent of respondents indicated that they had already applied to at least one other company. Of these 36%, over one-quarter (27%) reported that they had already been approved and another 31% stated that their application was still pending. As a result of these findings, the Partnership encourages individuals who are denied a policy to apply to other companies or to appeal the decision of the original company. Although it was expected that there would be some variability among insurers in their underwriting practices, the extent to which this variability has continued has been surprising.

IV. SURVEY OF PERSONS DROPPING INSURANCE

This section of the report presents findings of Connecticut Partnership for Long-Term Care purchasers whose policies were reported as having been dropped during the period from July 1, 2009 through June 30, 2010 and completed a survey. The Survey of Persons Dropping Insurance (Drop Survey) collects basic demographic data, as well as reasons for dropping insurance and the purchasers' level of understanding of specific features of their Partnership policy.

Prior to June 30, 1996, this survey was administered by an outside consultant as a telephone survey. Interviews were scheduled at the convenience of the respondent with an average of 8 contacts needed to secure participation in the survey. The interview instrument was comprised of 32 items, consisting of both open-ended and limited response questions. Completed interviews ranged from 10 to 35 minutes in duration.

Effective July 1, 1996 (including the mailing for the first two quarters of 1996), the Connecticut Partnership office assumed responsibility for administering this survey. Due to financial and staffing constraints, a decision was made to convert from a phone to a mail survey. The survey was substantially shortened from 32 items to 17 items. There are 2 mailings each quarter: the first is mailed when the quarterly data is received from the Partnership insurance companies; and the second is mailed to non-respondents approximately 5 weeks after the first mailing. The only exception to this was in the first quarter of 1996 when there was only one mailing. Both mailings include self-addressed return envelopes without postage. Because the changes to this particular survey were so significant, it is not possible to compare the results in this report to any survey results prior to 1996.

There are two categories of people who drop insurance: those who drop/cancel their policy during the initial 30 day "free look" period and those who drop after that time. (During the "free look" period, the individual can return the policy and receive a full refund.) Many individuals who drop during the 30 day "free look" period do not consider themselves as ever having made a purchase and, therefore, do not perceive themselves as having dropped a policy. The insurance companies, in their reports to the Partnership, count these individuals as having purchased and dropped. This generated some confusion among those who received the drop survey. Therefore, effective with the 3rd quarter of 1996, a different cover letter accompanied the survey sent to those who were reported to the Partnership office as having dropped during the first 30 days. This cover letter emphasized that even if an individual chose not to take the policy, the insurance company still considered them as having purchased if they were approved through underwriting. For reporting purposes for all Partnership companies, "purchaser" is defined as an applicant who passes underwriting. The same cover letter was used for all drops for the second mailing.

There was further confusion towards the end of 1996 when some companies began reporting a minor change to a policy as a drop and a new purchase. Purchasers were calling the Partnership office saying that they never dropped and were concerned as to why they were listed as having dropped their policy. Therefore, beginning with the 1st

quarter of 1997, a sentence was added to the cover letter indicating that a change to their policy may have triggered a drop notification. To further address this issue, there was one additional change made effective in the 2nd quarter of 1997. If a policy was reported as purchased and dropped during the same quarter, and the purchase date was prior to the drop date, no surveys were sent. If there was no purchase indicated the following quarter, a Drop Survey was sent. If there was a purchase indicated the next quarter, a Baseline Survey was sent. This procedure, along with the change in the cover letter, reduced the number of phone calls from policyholders who were confused as to why they were listed as having dropped their policy. Because there was a decrease in the number of policies reported purchased and dropped in the same quarter with the purchase date prior to the drop date, the above procedure was no longer necessary and was stopped beginning with the third quarter of 1998.

An additional response was added to the survey under living arrangements in 1999: “Children Live with Me.” Beginning with the drop survey mailing that was sent to purchasers who dropped during the first quarter of 2001, two new choices were added under Question 5 that asks why people decided to drop their policy. The previous surveys only allowed the response: “purchased another policy.” This revised survey allows the choice of “purchased other Partnership policy” or “purchased non-Partnership policy.” Beginning with the drop survey mailing that was sent to purchasers who dropped during the 3rd quarter of 2004, a new choice was added for marital status (same-sex partnered) and for living arrangements (live with same-sex partner).

During the period from July 1, 2009, to June 30, 2010, 100 completed surveys were returned, for a total response rate of 29%. Surveys were not mailed to people who called after receiving a Baseline Survey and asked not to receive any more surveys. These figures also exclude anyone who was reported as deceased. Unless stated otherwise, missing data are excluded.

A. Characteristics of Persons Who Drop Insurance

The drop survey collects demographic characteristics of persons who dropped their Partnership insurance, including: age, gender, living arrangements, and marital status. The mean age for all respondents was 65, with an age distribution ranging from 38 – 88.

In the current 2009/10 data, there were significant fluctuations in the age cohorts when compared to the previous year’s data. Respondents in the 55 – 59 age range decreased from 17% in last year’s data to 12% in the current 2009/10 data, and those respondents in the 65-69 age cohort decreased from 20% to 13%. These decreases were offset by a large increase in the percentage of respondents who were 75 and older from 13% in last year’s data to 21% in the current data.

Sixty percent of those dropping were married (decreased from 65%), 60% reported that they lived with their spouse (decreased from 64%) and 22% reported living alone (no change from previous year). Respondents who indicated they were divorced

increased to 17% from 15%, and those indicating they were widowed increased from 12% to 14%.

Table 24.
Demographic Characteristics of Persons Dropping Insurance
n=100
July 1, 2009 – June 30, 2010

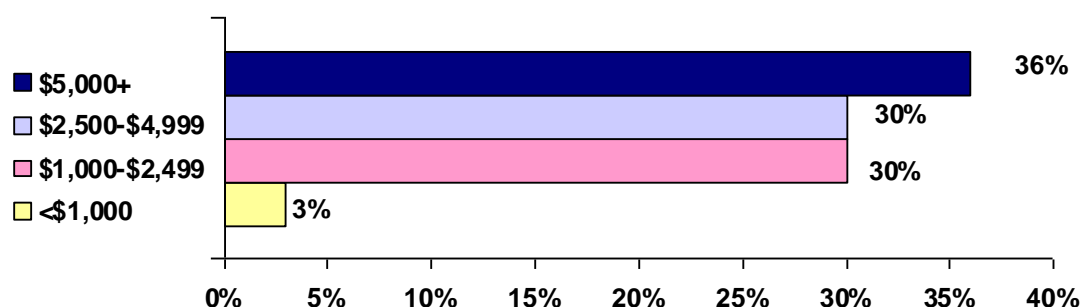
Demographic Characteristics	Percent (%)
Age:	
< 50	8
50-54	9
55-59	12
60-64	26
65-69	13
70-74	11
75-79	11
80+	10
Gender:	
Male	45
Female	55
Marital Status:	
Married	60
Widowed	14
Divorced	17
Separated	1
Single, Never Married	8
Same-Sex Partnered *	0
Living Arrangements:	
Alone	22
With Spouse	60
With Other Relatives	4
With Non-Relatives	0
With Unmarried Partner	7
Children Live with Me	6
With Same-Sex Partner *	0

Note: Due to rounding, some numbers may not add up to 100%

** Fields added 4th Quarter 2004

There were significant changes in reported income and asset levels. Respondents reporting monthly incomes of \$2,500 and over decreased from 73% to 66%, while those in the less than \$2,500 cohorts increased from 27% to 33%.

Table 25
Monthly Income Levels of Persons Dropping Insurance
n=92
July 1, 2009 – June 30, 2010



*Due to rounding, some number may not add up to 100%.

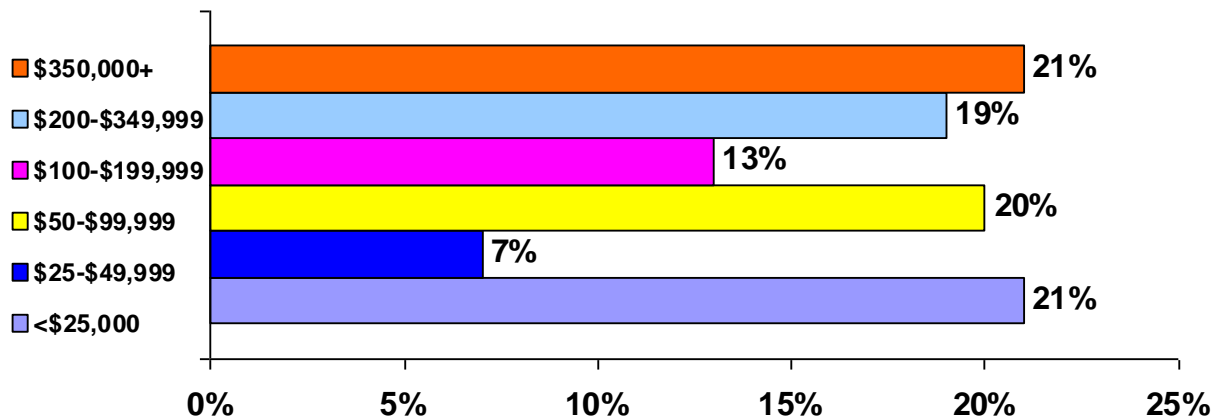
Table 25.a.
Monthly Household Income by Age Range n=92
July 1, 2009 – June 30, 2010

INCOME	<50	50 – 54	55 – 59	AGE 60 – 64	65 – 69	70 – 74	75 -79	80+
<\$1,000	33%	0%	0%	67%	0%	0%	0%	0%
\$1,000-\$2,499	4%	0%	18%	25%	7%	14%	21%	11%
\$2,500-\$4,999	7%	21%	14%	18%	14%	11%	11%	4%
\$5,000+	9%	9%	9%	36%	18%	3%	0%	15%

NOTE: Due to rounding, numbers may not add up to 100%.
 Percents are read across.

Those respondents who reported assets at the highest level (over \$350,000) decreased from 32% to 21%, and those reporting assets in the middle level (\$100-\$199,999) also decreased from 20% to 13%. This was offset by the substantial increase from 32% to 48% in those who reported assets at the lower levels (less than \$100,000).

Table 26
Asset Levels of Persons Dropping Insurance*
n=86
July 1, 2009 – June 30, 2010



*Assets exclude car and home.

Table 26.a.
Total Household Assets by Age Range n=86
July 1, 2009 – June 30, 2010
(Assets do not include homes and cars)

ASSETS	<50	50 – 54	55 – 59	AGE 60 – 64	65 – 69	70 – 74	75 -79	80+
<\$25,000	17%	17%	17%	17%	5%	11%	17%	0%
\$25-49,999	17%	0%	17%	0%	0%	33%	17%	17%
\$50-99,999	0%	12%	18%	29%	24%	6%	6%	6%
\$100-199,999	27%	9%	0%	18%	9%	0%	27%	9%
\$200-349,999	0%	19%	6%	25%	19%	6%	6%	19%
\$350,000+	0%	0%	11%	61%	6%	11%	0%	11%

NOTE: Due to rounding, numbers may not add up to 100%.
 Percents are read across.

B. Reasons for Dropping Insurance

When this survey was administered as a phone survey, the question concerning reasons for dropping was open ended. From these varied responses, a list was compiled for use in the current mail survey with the options shown in Table 27 below.

Table 27
Reasons for Dropping Insurance
July 1, 2009– June 30, 2010

REASON*	30 DAY DROPS n=17**	TOTAL DROPS n=100**
Percentage of Total	17%	100%
Too costly	65%	78%
Change in income	6%	17%
Purchased new Part. Policy	12%	4%
Spouse denied	12%	7%
Purchased new non-Part. Policy	18%	3%
Residency or other Partnership program requirements	6%	2%
Problem with insurer	12%	4%
Inadequate coverage	0%	4%
Problem with agent	12%	4%
No longer payroll deducted	6%	5%
Won't need it	6%	8%
Did not understand policy	0%	1%
Increase in premium	12%	10%

*Responses not mutually exclusive

**Total "N" varies slightly by reason

The percentage of respondents who reported dropping within 30 days continued to remain low (17%). Sixty-five percent (an increase from 59%) of 30 day drops reported they dropped because it was too costly. Seventy-eight percent of all drops reported dropping for this reason (an increase from 75%). It is not possible from the data collected to discern whether the reason that the respondents felt the policy was too costly was because they had purchased an inappropriate amount of coverage. This particular reason (Too Costly) can vary greatly from year to year.

Twelve percent of 30 day drops and 4% of all drops reported dropping to purchase another Partnership policy. This activity of dropping one policy to purchase another is not unusual in an environment where it is common practice to apply for more than one policy simultaneously, retain the preferred coverage, and drop any additional policies.

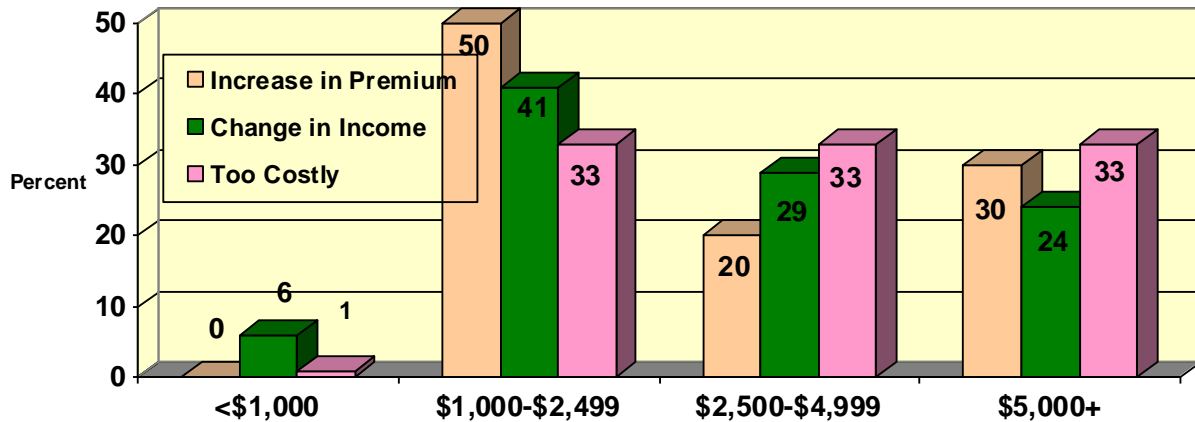
Although the major reason given for dropping was because the policy was too costly (78%), there are two other financial reasons included among the reasons for dropping: change in income (17%) and increase in premium (10%). There were significant decreases in those respondents reporting they dropped due to a change in their income. For 30 day drops, this figure decreased from 20% to 6% and, for all drops, this figure decreased from 27% to 17%. Those who dropped within 30 days and reported they did so due to an increase in premium increased from 4% to 12% and, for total drops, the percentage remained the same at 10%.

There were other notable changes in reasons for dropping when comparing last year's data with the current data. Those who dropped within 30 days and reported they dropped because their spouse was denied decreased from 20% to 12%. For total drops, this figure increased from 6% to 7%.

There was a substantial increase from 4% to 12% in 30 day drops among those who reported dropping due to a problem with their insurer. When looking at total drops, there was a slight decrease from 5% to 4%. Similarly, for 30 day drops, there was an increase from 7% to 12% in those reporting a problem with their agent, while for total drops, this figure remained the same at 4%.

Several cross-tabular analyses were run in order to examine the relationship between financial reasons for dropping and income and asset levels. Sixty-six percent of those who reported dropping because it was too costly had a monthly income over \$2,499, with 33% of those having monthly incomes over \$5,000. Twenty-nine percent (a decrease from 42%) of those who reported dropping because of a change in income had a monthly income between \$2,500 and \$4,999, while twenty-four percent (an increase from 20%) had a monthly income over \$5,000. (See Table 28.)

Table 28
Reported Financial Reasons for Dropping by Monthly Income
N=100
July 1, 2009 – June 30, 2010

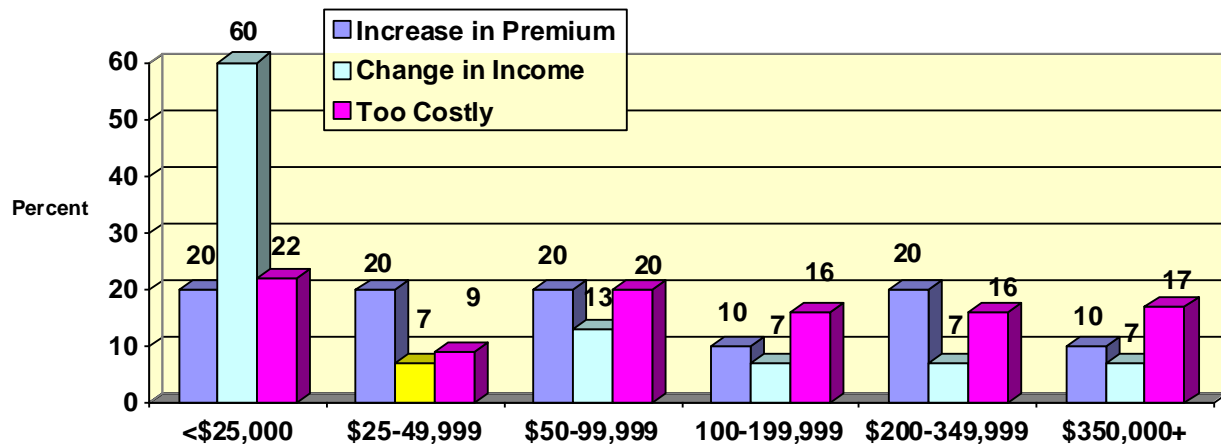


Note: Due to rounding, some numbers may not add up to 100%.

There were also fluctuations at all asset levels for those reporting they dropped because the policy was too costly. Those reporting the highest level of assets (over \$350,000) and reporting that they dropped due to cost decreased from 27% to 17%. Those reporting the third highest asset level (\$100,000 - \$199,999) and said they dropped due to cost decreased from 23% to 16%. There was a significant increase from 35% to 51% in those who reported the lowest asset levels (less than \$100,000) and dropped due to cost.

Respondents who said they dropped due to a change in income and reported the highest level of assets decreased from 23% to 7%, while those reporting the middle asset ranges (\$50-199,999) decreased from 43% to 20%. Respondents who reported they dropped due to an increase in premium and reported assets at the lowest levels (less than \$100,000) increased from 35% to 60%. (See Table 29.)

Table 29
Reported Financial Reasons for Dropping Insurance by Assets
n=94
July 1, 2009 – June 30, 2010



Note: Due to rounding, some numbers may not add up to 100%.

C. Level of Understanding of Policy by People Who Drop

The option to reduce coverage is a very important feature requiring the company to proactively offer a Partnership policyholder, in the event they are about to lapse their policy, the option to decrease their coverage to a shorter benefit period than originally purchased, thereby lowering their premium. Only 17% of those who dropped after 30 days reported that they were offered this option. This represents a significant decrease from 32% in last year's data. This figure had been steadily increasing over the last few years.

Although general reinstatement provisions are not unique to Partnership policies, 46% of the survey respondents in the current data were not aware of this provision. Of the 46% who were not aware of this provision, 40% said they understood their policy completely. Also, in the current data, 63% of the respondents did not know about the special reinstatement due to cognitive impairment provision (if an individual misses paying premiums due to a cognitive impairment).

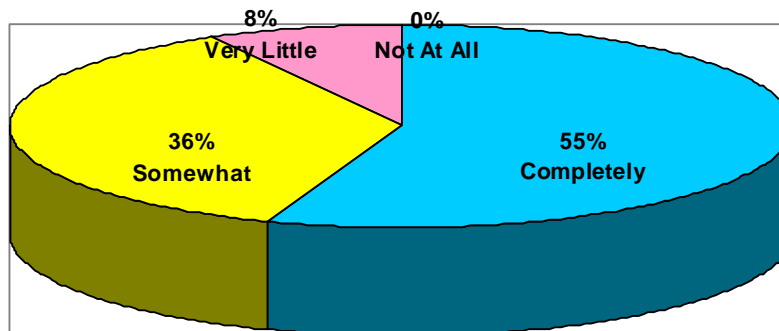
All Partnership, as well as non-Partnership, policies must offer a non-forfeiture benefit. When asked if they chose to purchase this particular benefit, 65% of the respondents said they did not know and 16% said they had purchased it.

Table 30
Percentage of People who Dropped and Were Aware of
Or Were Offered Certain Policy Provisions
July 1, 2009 – June 30, 2010

Policy Provision	Percent
Offered Option to Reduce Coverage n=77	17%
Aware of Reinstatement n=96	54%
Aware of Reinstatement due to Cognitive Impairment n=94	37%
Policy Included Non-Forfeiture n=95	16%

Respondents were asked to rate their overall level of understanding of their Partnership policy. Fifty-five percent stated that they understood their policy completely and 36% said they understood somewhat. These figures vary slightly from year to year.

Table 31
Overall Reported Level of Understanding of Partnership Policy n=96
July 1, 2009 – June 30, 2010



NOTE: Due to rounding, numbers may not add up to 100%.

D. Conclusion

In the current 2009/10 data, there were significant fluctuations in the age cohorts when compared to the previous year's data. Respondents in the 55 – 59 age range decreased from 17% in last year's data to 12% in the current 2009/10 data, and those respondents in the 65-69 age cohort decreased from 20% to 13%. These decreases were offset by a large increase in the percentage of respondents who were 75 and older from 13% in last year's data to 21% in the current data.

Sixty percent of those dropping were married (decreased from 65%), 60% reported that they lived with their spouse (decreased from 64%) and 22% reported living alone (no change from previous year). Respondents who indicated they were divorced increased to 17% from 15%, and those indicating they were widowed increased from 12% to 14%.

There were significant changes in reported income and asset levels. Respondents reporting monthly incomes of \$2,500 and over decreased from 73% to 66%, while those in the less than \$2,500 cohorts increased from 27% to 33%. Those respondents who reported assets at the highest level (over \$350,000) decreased from 32% to 21%, and those reporting assets in the middle level (\$100-\$199,999) also decreased from 20% to 13%. This was offset by the substantial increase from 32% to 48% in those who reported assets at the lowest levels (less than \$100,000).

There are many different reasons given as to why people drop their insurance. The most prevalent reported reason is because the policy was too costly (78%). Seventeen percent of respondents said they dropped due to a change in income. This was a decrease from 27% in the last year's report. Eight percent said they won't need the insurance, 7% said they dropped because their spouse was denied and 5% said they dropped because it was no longer payroll deducted.

The majority of respondents are still reporting that they are unaware of certain policy provisions. Only 55% of respondents said they understood their policy completely. The Partnership continues to emphasize to producers the importance of explaining all of the specific benefits that a Partnership policy has to offer in an effort to ensure that purchasers understand the features and details of the policy that they are purchasing.